



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
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<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

September 7, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

MARTIN LUTHER KING, JR. HEALTHCARE CORPORATION – AMENDMENT #1 TO THE SERVICES PLEDGE AND FUNDING AGREEMENT

This is to advise your Board that the Chief Executive Officer (CEO) is exercising its delegated authority, as approved by your Board on March 8, 2011, to execute Amendment #1 to the Services Pledge and Funding Agreement (Funding Agreement) with the Martin Luther King, Jr. Healthcare Corporation (MLK Healthcare) to provide annual funding payments in accordance with the Coordination Agreement. Your Board delegated the approval of \$10 million annual payment amounts for four consecutive years (Fiscal Years 2011-12 thru 2014-15), provided that funds are approved by your Board through the County's budget process; approval by County Counsel is obtained prior to any such amend; and the CEO notifies your Board in writing within 30 days before execution of each amendment.

Amendment #1 will allow the CEO to provide the second annual payment for start-up costs under the Funding Agreement with MLK Healthcare for operating expenses and continue efforts necessary for the establishment of the new private, nonprofit, Martin Luther King, Jr. Hospital (MLK Hospital). The second annual payment of \$10 million is reflected in the 2011-12 Recommended County Budget approved by your Board on April 19, 2011. With the addition of the mentioned amended provisions for Fiscal Year (FY) 2011-12 to the Funding Agreement, the remaining contractual requirements of the Funding Agreement amendment are fully in effect. Further, the MLK Healthcare Board will submit an annual itemized report of all expenditures financed by the County funds, with detail for expenditures in excess of \$50,000, as specified in the Funding Agreement. The CEO anticipates receiving the first report by October 31, 2011.

"To Enrich Lives Through Effective And Caring Service"

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On May 12, 2011, this Office provided your Board with the agreed budget process on how the start-up funds will be transmitted to the MLK Healthcare. Subsequently, MLK Healthcare submitted the attached document for payment of the second annual installment of start-up funds designated under the Coordination Agreement between the County and the Regents of the University of California for FY 2011-12. The CEO is reviewing this request to ensure it is consistent with the provisions of the Coordination Agreement and the requirements as provided for in the Funding Agreement with MLK Healthcare. Amendment #1 to the Funding Agreement will be reviewed and approved as to form by County Counsel, and consistent with your Board's action of March 8, 2011, the CEO will execute it by October 7, 2011.

Please contact me if you have any questions, or your staff may contact Sheila Shima, Deputy Chief Executive Officer, at (213) 974-1160.

WTF:SAS
MLM:AMT:bjs

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Health Services

090711_HMHS_MBS_MLK Amendment 1

**Martin Luther King Jr. - Los Angeles (MLK - LA) Healthcare Corporation
ESTIMATED SECOND YEAR START-UP FUNDING**

For the fiscal year beginning July 1, 2011

	6/30/2012 ⁽¹⁾
	Budget Est.
Start-up costs:	
Salaries and benefits	1,428,167
Services and Supplies	
Consultants	659,280
Legal Fees	660,100
Audit, Tax, Accounting Fees	98,000
Insurance	40,000
Rent	105,000
Meals & Travel	37,000
Office Supplies	9,000
Communications/Outreach and Relations	1,250
Postage	1,015
Fiscal Intermediary Fees	84,294
Total Services and Supplies	<u>1,694,939</u>
Total Start-Up Costs	3,123,106
Hospital Equipment Reserves/Deposits/Capital purchases	16,876,894
TOTAL RESERVES/DEPOSITS FOR CAPITAL AND START UP COSTS	<u><u>20,000,000</u></u>

(1) The amounts specified are estimates and subject to change. The amounts held in reserve will be utilized as start up funds for the establishment of the new, private nonprofit MLK hospital, and as the development of the hospital continues to move forward. Due to the timing of this start up, not all costs are specifically known as the time of this funding. It is the intent of the MLK Board of Directors to prudently invest and manage these funds until such time as their use becomes evident. The MLK Board will comply with all terms of the Funding Agreement.